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Foreign Agricultural Service
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Foreign Agriculture

Anchoring U.S. Sales In Hong Kong

Marketing News

Far East Pork, Processed Meats Seminar Planned

In an effort to develop a consistent share in Japanese and Far Eastern markets, the **U.S. Meat Export Federation** and the **Meat Export Research Center** are sponsoring the second annual Pork and Processed Meat Exports to the Far East seminar at Iowa State University on June 18-19, 1987. The seminar will provide U.S. packers and processors with an opportunity to look at what the Far East pork market has to offer. It will address issues such as consumer expectations and technical aspects of exporting fresh, frozen and processed meats to the Pacific Rim.

Japan is the world's largest importer of pork, and the No. 1 market for U.S. pork exports. The Federation's Tokyo office projects that Japanese pork consumption will remain constant through the year 2000, while pork for processing is expected to increase about 3.5 percent per year, providing U.S. processors with a great opportunity for expansion.

For further information, contact Connie Middleton, Office of Continuing Education, 102 Scheman, Iowa State University, Ames, Iowa 50011. Tel. (515) 294-6229.

California Ag Mission Sails to Tokyo

More than 500 invited business leaders and government representatives recently turned out for a reception in Tokyo hosted by the **California Department of Food and Agriculture** aboard the training ship Golden Bear, according to director Clare Berryhill. The ship was transporting California's Agricultural Goodwill Mission, a promotion of California agriculture in the Pacific Rim.

"There is tremendous interest in the high-quality foods and fine wines California has to offer," said Berryhill. "The guests were surprised at the tremendous variety of wines from 67 different wineries and at the extensive Japanese menu featuring California products so well suited to their taste. Some of the more popular foods were sesame beef, sesame chicken, smoked duck and smoked chicken, as well as California sushi and other rice dishes."

The innovative mission has been successful in promoting California agriculture as demonstrated by exhibitor reaction as well. "California exhibitors on the Golden Bear are extremely pleased with the results and wonderful reception they have been receiving," said Berryhill.

Indian Organizations Form Wheat Promotion Board

Leaders of India's wheat food industries have formed a wheat products promotion board in New Delhi to increase domestic wheat consumption. The board will devote attention to those regions of India where rice and millet traditionally form a major part of the diet.

"India has set the twin goals of increasing wheat consumption and preventing possible rice shortages," said Pat Kandhari, **U.S. Wheat Associates** director for India, who played a major role in organizing the board. The board will submit project proposals to the Indian government as well as to state governments and public and private sector organizations, which, in turn, will provide the funding for the projects.

While India has become a major producer—and occasional exporter—of wheat, people in the tribal areas of India eat very little of this grain. Instead, according to Kandhari, they prefer millets, roots and tubers found in the region. "We believe that over time, we can change these eating patterns," said Kandhari.

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Managing Editor
Lynn K. Goldsbrough
(202) 382-9442

Design Director
Vincent Hughes

Writers
Linda Habenstreit
Aubrey C. Robinson
Jennifer M. Smith

Associate Designer
Richard J. Barnes

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Hong Kong: Important Market for U.S. Agriculture, Staging Base for China

By Michael L. Humphrey

Hong Kong, a territory of only 412 square miles with an estimated population of 6 million, is playing an important role in the Far East, not only as a major importer of agricultural products, but also as a conduit to introduce U.S. products and technology to potential buyers in the People's Republic of China.

This month, ***Foreign Agriculture*** *examines export opportunities for U.S. agricultural companies in Hong Kong and provides up-to-date information on significant developments in this important, fast-moving market.*

Any discussion of the Hong Kong market must address two key factors. First, Hong Kong represents a nearly US$4 billion agricultural market, of which the United States supplies about 16 percent. Second, in addition to being an important buyer, Hong Kong serves as the "staging base"—and some specialists say "the key to the door"—for market development in the People's Republic of China.

How Hong Kong Ranks as a Business Center

It is important to recognize that China was Hong Kong's main trading partner in 1986, with two-way trade totaling more than US$18 billion (a 17-percent increase over 1985). Hong Kong now serves as the main entrepot for China.

In addition, Hong Kong is now the world's fourth largest financial center and the tenth largest trading partner of the United States. Current U.S. interest in Hong Kong is high. There are approximately 800 U.S. companies with offices and representatives based in the Territory.

U.S. companies provide US$6 billion in direct investments in Hong Kong. Since 1983, an increasing number of major U.S. agricultural companies have established offices in Hong Kong to take advantage of the unique role the Territory plays with China as well as with other countries of the Far East.

For example, several of the U.S. companies based in Hong Kong are involved in livestock and feed mill projects in South China. The infrastructure of Hong Kong enables these companies to support their projects in there.

Hong Kong plays a major role as a base for U.S.-China trade. Currently, there are 15 provincial offices based in Hong Kong and a large number of other Hong Kong companies which act on behalf of a number of Chinese cities and provinces. This development provides U.S. companies with the opportunity to introduce their products and technology to potential Chinese buyers.

Economic Performance Is Strong

Hong Kong's strong economic performance is one reason U.S. firms are looking closely at market potential there. In 1986, Hong Kong registered a real Gross Domestic Product (GDP) growth of 8.7 percent. Total two-way trade, valued at US$70.8 billion, increased by 18 percent over 1985. Due to the improvement in the overall economy in 1986, the government budget had a surplus of US$628 million.

The real GDP growth rate is expected to grow by 6.2 percent in 1987, slightly less than in 1986, but still very high compared with other countries. One study predicts that Hong Kong's economic performance in 1987 will continue to depend principally on exchange rate movements and demand in key overseas markets.

Major Developments in Supermarket Business

Demand for U.S. agricultural products in Hong Kong should remain high in the coming years as supermarket chains and other food stores continue to develop and expand. (See article on Hong Kong's retailing sector on page 16.) The number of major supermarket chains is growing, as is another major development, convenience stores. The Japanese are expanding into the supermarket business as well. Some of these stores provide 25,000 square feet of shopping or more.

Westernization of the food trade and retailing markets in Hong Kong is expected to continue at a remarkable pace. The creation of world-class supermarkets and convenience stores in Hong Kong is helping to reshape traditional habits of shopping for a limited range of produce and goods at wet markets and small, neighborhood stores.

Fast Food Industry Is Expanding

Significant growth in Hong Kong's fast food industry is expected to continue. (See article on page 16.) The only obstacle to opening more fast food outlets or supermarkets is space. New housing projects and satellite cities in the New Territories offer more opportunities for expansion into those areas. Otherwise, it is difficult to locate space in the major business areas.

Tourism, Number of Hotels Are Growing

There is optimism that the demand for more high-quality foods and wines will grow as a result of the expected increases in the number of tourists. In 1986, 3.73 million tourists visited the Territory and the forecast for 1987 is an increase of 5-7 percent.

With the return of business confidence in the Territory, the construction of hotels has increased significantly. Eight hotel projects are expected to be completed this year. That brings the total number of hotel rooms to 23,449, compared with 20,230 rooms in 1986. More hotels are planned. This expansion of the hotel industry should also result in more opportunities for U.S. wood products. (See article on page 20.)

Competition Is Increasing

As a result of the current economic growth and stability in Hong Kong, more competitor countries are taking advantage of the opportunities in this market. These activities include food shows, restaurant/hotel promotions and more local advertising.

This development requires that U.S. market development activities be effective to meet this challenge. Substantial sums of Targeted Export Assistance Program funds (a USDA program to promote U.S. exports) will be spent in Hong Kong over the next several years to increase the awareness and sales of a large number of high-quality U.S. products.

In addition, an Export Enhancement Program for fresh eggs has been launched in Hong Kong to meet competitor export prices. However, unless U.S. exporters take an aggressive

approach to this market as well as other important markets in the Pacific Rim, U.S. agricultural exports to this key area of the world will lose out to competing suppliers.

To provide U.S. companies with information about the opportunities in the market, USDA's Foreign Agricultural Service has an office in Hong Kong. (See article on page 10.) This office assists U.S. companies that are serious about the export possibilities. A series of specific studies on various sectors of the Hong Kong food industry is being prepared and will be made available to U.S. companies on request.

For more information, contact:

Agricultural Office
American Consulate General - Hong Kong
Box 30
FPO San Francisco 96659-0002
Telex: 63141 USDOC HX
Tel. 5-8412350 ■

The author is the U.S. agricultural officer in Hong Kong.

Hong Kong's Political Situation– The 1997 Issue

Prior to October 1983, a great deal of uncertainty existed about the future of Hong Kong. The business community was uncertain about the economic and legal structure under which it would operate when China assumed sovereignty of Hong Kong from Great Britain in 1997.

As a result of this situation, the property market fell 30-40 percent and the value of the Hong Kong dollar fell drastically. The Hong Kong government decided to peg the Hong Kong dollar to the U.S. dollar at that time.

This one action helped to bring some confidence into the business community. However, it was the signing of the Sino-British Joint Declaration in December 1984 that actually brought about the return of stability to the business community.

Under the Joint Declaration, Hong Kong will become a Special Administrative Region (SAR), effective July 1, 1997. According to its provisions, Hong Kong will be allowed to operate for another 50 years as an SAR with its own government and legislature composed of local citizens.

The people of Hong Kong have been promised a high degree of autonomy. However, China will be responsible for Hong Kong's foreign policy and defense. Under this "one country, two political systems," China has pledged that Hong Kong will have its own social and economic system until the year 2047.—Michael Humphrey, Agricultural Officer, Hong Kong.

Hong Kong Is Dynamic Market For U.S. Agriculture

By M. Kathryn Ting

The Hong Kong market for U.S. agriculture has increased dramatically in the past 10 years, almost doubling in size. Hong Kong is now the fourth largest market for U.S. agricultural exports among the 18 Pacific Rim countries.

Hong Kong imports nearly $4 billion in agricultural products each year, ranking third largest in the Asian market for high-value products. Every year, each of Hong Kong's 6 million people consumes over $65 worth of U.S. farm products.

The composition of U.S. agricultural product exports to Hong Kong has changed substantially in the past few years. U.S. exports of raw cotton, which at $150 million in 1980 represented one-third of all U.S. exports to Hong Kong, fell dramatically to only $1.7 million in 1986. Grain and feed exports also have declined over the past few years.

On the other hand, U.S. exports of food items have grown by 17 percent since 1980. U.S. exports of poultry and poultry products increased by over 60 percent.

A description of some of the more important export markets follows.

Fresh Fruits and Vegetables

Fresh produce accounts for about one-third of U.S. agricultural exports to Hong Kong. In 1986, total fresh produce exports of $130 million included $77 million in citrus fruits, $38 million in non-citrus fruits, $4 million in melons and $10 million in fresh vegetables.

For U.S. exporters of fresh produce, Hong Kong means big business. The territory accounts for over one-fifth of all U.S. exports of fresh produce to offshore markets. Hong Kong is among the top three markets for oranges, grapes, prunes, plums, melons, tomatoes, cabbage, celery, lettuce, peppers, apples, sweet cherries and onions.

Hong Kong imports 2,100 tons of fresh produce daily, including 360 tons of oranges alone. The United States dominates the market with a 45-percent market share in value (c.i.f.) terms, while China is the leading volume supplier. Australia and Taiwan provide 5 and 6 percent of imports, respectively, in value.

Most produce entering Hong Kong goes through one of the two major wholesale markets, one on the Kowloon peninsula and one on Hong Kong Island. From the wholesale markets, the produce goes to hawkers, fruit shops, hotels and supermarkets.

Hawkers, or small street corner operations, account for an estimated 80 percent of sales. While produce sales through large supermarkets are increasing, supermarkets currently account for only 10-15 percent of total sales.

The outlook for U.S. produce in Hong Kong is bright due to its reputation for top quality and fair prices. However, competition is increasing from Australia, China, Taiwan, Chile, New Zealand and South Africa.

Ginseng

With exports of $38 million in 1986, ginseng ranks third after oranges and poultry meat among U.S. exports to Hong Kong. The United States accounts for about 20 percent of Hong Kong's imports of ginseng, which is used for medicinal purposes. About 70 percent of the U.S. ginseng entering Hong Kong is cultivated.

The U.S. Has a Strong Position in Hong Kong's Trade Picture
(In US$1,000)

Commodity	1984	1985	1986
Oranges	52,064	62,244	70,367
Poultry Meats	34,470	40,353	38,119
Ginseng	37,145	36,883	29,805
Raw Tobacco	24,968	30,557	28,928
Grapes	9,944	15,234	14,508
Wheat	18,247	15,269	13,977
Beverage Bases	3,256	4,616	13,321
Apples	15,105	14,330	12,432
Beer and Ale	2,238	2,894	8,794
Beef, Frozen and Fresh	4,314	4,071	6,370
Furskins (Undressed)	3,611	5,288	6,158
Lettuce	4,753	4,188	4,225
Melons	3,295	4,788	4,192
Cattle Hides	2,498	3,384	4,029
Shell Eggs	4,389	4,080	3,734
Prepared Poultry Feeds	5,514	4,365	3,326
Refined Corn Oil	5,583	5,909	3,252
Lemons	3,575	2,927	3,082
Soups	2,859	2,969	3,002
Cotton	85,191	17,800	1,703
Sub-Total	**318,880**	**284,149**	**273,324**
Total U.S. Agricultural Exports	**411,467**	**388,669**	**395,836**

Note: In addition, the Territory imports significant amounts of cigarettes and dressed mink skins from the United States. Hong Kong imported about US$10 million of dressed skins and US$183 million worth of cigarettes from the States in 1986.

Source: U.S. Bureau of Commerce.

Tobacco

Due to the dramatic growth in China's cigarette imports in recent years, Hong Kong's imports of tobacco have increased substantially. Roughly 85 percent of locally manufactured cigarettes are exported, mainly to China.

A growing preference for U.S.-type cigarettes in both Hong Kong's domestic and export markets also has boosted sales of U.S. tobacco to Hong Kong. In 1986 U.S. tobacco exports to Hong Kong totaled 5,618 tons, valued at $28.9 million.

Grains and Oilseeds

With annual exports of 100,000 tons, U.S. wheat dominates the Hong Kong market. U.S. rice exports to Hong Kong jumped to 2,613 tons in 1986 due to the introduction of branded U.S. rice. The rice is being promoted with assistance from the U.S. Rice Council for Market Development.

Prepared animal feeds and corn oil also are significant export items. Although the Hong Kong government is taking steps to cut back on livestock raising in the Territory for environmental reasons, Hong Kong's hog and poultry industries are not likely to undergo a substantial contraction in the near future. In addition, greater emphasis is being placed on aquaculture.

Due to health-related concerns, U.S. corn oil has made inroads into the Hong Kong market, where rapeseed oil was more commonly used.

Processed Foods

The dramatic growth in the supermarket industry, the growing presence of U.S. consumers and the increasing westernization of Hong Kong consumption habits have opened new opportunities for U.S. processed foods.

Exports of several U.S. products to Hong Kong, such as pancake flour, canned and frozen vegetables, canned and dried fuits and confectionery items, registered significant increases in 1986 over the previous year.

U.S. brand names are becoming more familiar to Hong Kong consumers through television advertising and in-store promotions. The recent depreciation of the Hong Kong dollar against major European currencies provides an excellent opportunity to introduce more U.S. grocery items into Hong Kong.

Other Products

U.S. beer is the most popular imported beer in Hong Kong, holding a 7-percent market share. U.S. beer exports to Hong Kong totaled $8.8 million in 1986, three times the 1985 level.

Although Hong Kong is the largest market for U.S. table eggs, U.S. exports have faced growing competition in recent years, primarily from the European Community. U.S. table egg exports to Hong Kong in 1986 were valued at $3.7 million. An Export Enhancement Program for 44 million eggs to Hong Kong should boost U.S. competitiveness in the market.

Known for its textile and fur industries, Hong Kong also has a growing leather products industry. About $4 million worth of U.S. cattle hides entered Hong Kong in 1986, with roughly half retained for domestic consumption. ■

The author is the assistant agricultural officer in Hong Kong.

Agricultural Office Works To Boost Sales in Hong Kong

By M. Kathryn Ting

The United States is the leading supplier of high-quality food products to the extremely competitive Hong Kong market. However, market development activities by competing suppliers, such as Australia, Canada, New Zealand, the European Community and China, have stepped up noticeably in recent years. The growing competition makes the job of creating and maintaining a high profile for U.S. foods more critical than ever.

Trade Shows Promote U.S. Foods

The Foreign Agricultural Service (FAS) office in Hong Kong carries out a number of market development activities each year to promote U.S. foods.

A major event this year was the USA Pavilion in HOFEX '87, a biannual international food and food equipment show, for buyers from Hong Kong, China and neighboring countries.

With 35 companies, states and organizations exhibiting, the United States had one of the largest representations.

In alternate years, FAS sponsors a U.S. food show which complements the Food and Hotel Asia Show in Singapore.

Menu promotions with hotels and western-style restaurants also help raise awareness of U.S. foods in a market where consumers eat out frequently.

Last fall, the agricultural office co-sponsored the fourth annual "American Harvest" promotion with the Hong Kong Hilton. U.S. regional cuisines, such as Louisiana creole, as well as American Nouvelle cuisine, are becoming popular promotion themes for U.S. foods.

Supermarket Promotions Spur Sales

With the growing dominance of supermarkets in the Hong Kong retail food market, point-of-purchase promotions are increasingly important. While demonstration space in the average Hong Kong supermarket is limited, advertisements and attractive displays can spur sales of U.S. products. The FAS Hong Kong office carries out three to four such promotions each year.

In July, the FAS Hong Kong office will co-sponsor the fourth annual "American Week" promotion with Cityplaza, a shopping mall which has 30,000-60,000 shoppers a day. During "American Week," representatives for U.S. foods and other products will staff booths within the mall to exchange information with buyers and to make sales.

Although the promotion is geared toward companies with representatives and products already in Hong Kong, visiting U.S. companies also are welcome to participate.

Putting Buyers and Sellers in Touch

The Hong Kong office frequently sends trade leads for items ranging from apples to wood products to Washington, D.C., for dissemination to U.S. suppliers. In addition, Buyer Alert announcements of U.S. product availability are sent each week to 250 Hong Kong buyers. These services are a vital communication link between buyers and sellers.

The FAS office also works closely with U.S. private sector commodity organizations in promoting U.S. agricultural products in Hong Kong. This year, 29 cooperator groups have activities in Hong Kong. Thirteen cooperators have offices or full-time representatives there. ■

The author is the assistant agricultural officer in Hong Kong.

FAS Hong Kong Agricultural Office

The Foreign Agricultural Service's Hong Kong agricultural office, located directly across from the American Consulate, provides services to more than 1,000 U.S. and Hong Kong business representatives each year.

The 2,800-square-foot facility includes a conference room with video and slide equipment, a trade-servicing library, a small kitchen for food preparation and a product display area.

The conference room seats up to 30 people for business meetings and seminars. It may be reserved on a first-come, first-served basis by contacting the agricultural office. A slide projector and multi-system videotape player (VHS NTSC, PAL and SECAM) are available.

To inform Hong Kong importers about U.S. farm products, the office is developing a slide and videotape library. Short video presentations on a number of U.S. commodities, states and companies already are available.

Information about U.S. agricultural product suppliers and about specific U.S. companies is available to Hong Kong business representatives in the trade-servicing library, which is open Monday through Friday. The library has directories of U.S. food and commodity associations, state export directories and information on individual U.S. companies.

States, commodity groups and U.S. agribusinesses can reach potential buyers by providing brochures, directories, membership lists, slides and videotapes to the agricultural office.

U.S. companies and other groups also may display their products and promotional material in the agricultural office. Both dry and frozen products can be displayed.

U.S. agribusiness representatives who are visiting Hong Kong may call on the agricultural office for assistance in arranging appointments with potential buyers.

Office address:
18/F, St. John's Building
33 Garden Road
Hong Kong
Telex: 63141 USDOC HX
Telephone: 5-8412350

Hong Kong mailing address:
Agricultural Office
American Consulate General
26 Garden Road
Hong Kong

U.S. mailing address:
Agricultural Office
American Consulate General
Box 30
FPO San Francisco, 96659-0002

Hong Kong's Love of Poultry Translates Into Opportunities for U.S. Sales

By Lai Yee Yeung

From quail and pigeons to chicken, geese and turkey, Hong Kong consumers enjoy a wide variety of poultry meat, and lots of it. That's good news for U.S. exporters because they supply a major share of the poultry meat the Territory has to import.

Poultry dishes have always been popular in Chinese cooking both at home and in restaurants. As a result, annual per capita consumption of all poultry meats in Hong Kong is about 38 kilograms. (In the United States, consumption is about 32 kilograms.)

In addition, the growing numbers of fast-food outlets and western-style restaurants have fueled a rapid increase in the Territory's demand for poultry, particularly chicken, in recent years.

Fresh Poultry Meat Is Preferred

Nearly 60 percent of the poultry sold in Hong Kong is sold as live birds. Chinese consumers prefer live birds and place a premium on fresh poultry meat. The live animals are either slaughtered by the retailer in the wet market or at home.

All of Hong Kong's production of poultry is marketed live. Locally grown birds account for 40 percent of total consumption and include 14 million chickens, 4 million ducks, 3 million geese and 14 million quail every year.

In addition, some 42 million chickens, 13 million ducks and 15 million geese, pigeons and quail cross the border from China each year.

While China supplies about half of Hong Kong's imports of poultry, both live and frozen, the United States has an impressive 33-percent share of the total poultry market and is the largest supplier of frozen poultry. U.S. exports of poultry meat totaled US$38.1 million in 1986, down slightly from the record US$40.3 the previous year.

The product mix of poultry meat in the Hong Kong market is extensive. Here's a brief summary of the product breakdown:

Chicken

Chicken accounts for more than three-fourths of the poultry meat consumed in Hong Kong. A whole chicken served with head and feet is traditionally a must for the family at most Chinese festivals, celebrations and religious rituals.

While frozen parts now account for about one-half of the chicken consumed in the Territory, greater growth is expected in the future for a number of reasons. Frozen parts, sold both in the wet markets and supermarkets, are more popular for everyday cooking at home than live birds due to the greater convenience in preparation.

The growing fast-food business relies heavily on imported frozen chicken parts, including wings and drumsticks. There are now hundreds of fast-food outlets that sell fried chicken parts.

Chicken wings and feet, of which over 35,000 tons are imported every year, are traditional favorites of the Chinese and are popular entrees in fast-food stores and Chinese restaurants.

Ducks and Geese

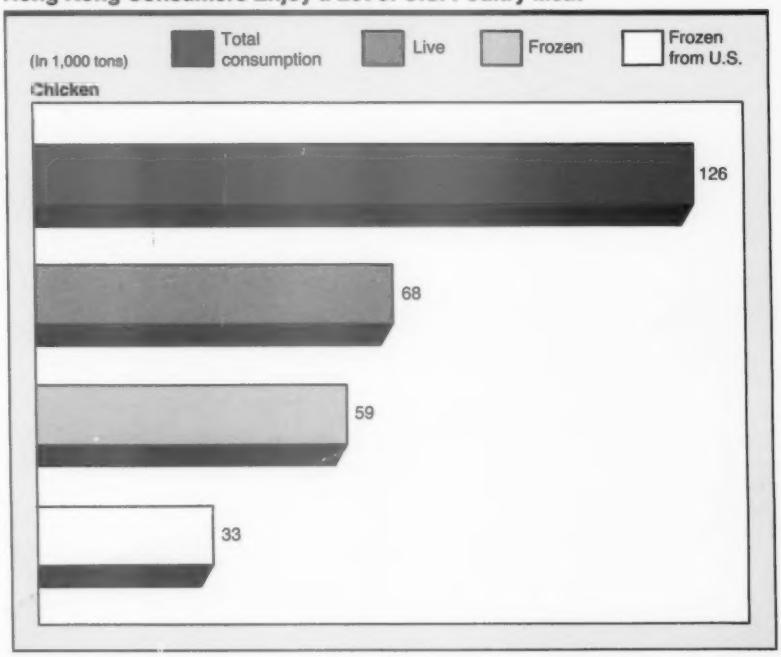
Ducks and geese are popular items in Chinese cooked food stores and in Chinese restaurants. Ducks often are substituted for geese as the former are in greater supply. Ducks and geese are less popular in home cooking because they are considered to be too large for one family.

There is also a market for wings and feet. Hong Kong imported about 28,000 tons of chilled and frozen duck last year.

Pigeons

Consumption of pigeon has increased remarkably in the past five years. Pigeons

Hong Kong Consumers Enjoy a Lot of U.S. Poultry Meat



were used widely as substitutes for chickens in 1983 when it was first reported that local farmers were using growth-inducing hormones on chickens, which might cause health problems.

Chicken consumption dropped so low that many chicken farms were forced to close. Some chicken farmers turned to pigeon raising and restaurants made a great effort to promote pigeons. The promotion was so successful that consumption continued to climb even after consumer concerns about chicken were allayed by the government's ban on the use of growth hormones in poultry.

Most of the pigeons consumed are four-week-old birds. The small size of the bird contributes to its popularity at restaurants, particularly for small parties.

Turkey

Whole turkey is still a seasonal and hotel item, with peak consumption from Thanksgiving to Christmas. Most consumption is limited to Europeans and Americans.

Further processed turkey products, such as turkey pastrami and turkey rolls, are more readily accepted by the Chinese consumer.

Offals

Hong Kong is a huge market for poultry offals. Gizzards are the major item, but livers, duck tongues and intestines also are popular. The Territory imported more than US$10 million worth of frozen poultry offals in 1986, of which 15 percent came from the United States and 79 percent from China. Offals are consumed both in homes and restaurants.

Opportunity Exists for U.S. Exporters

The United States supplies about 55 percent of the frozen poultry entering Hong Kong. In 1986, U.S. exports to Hong Kong included nearly 21,000 tons of wings, 11,000 tons of chicken (fresh, chilled and frozen), 1,500 tons of offals, almost 1,400 tons of feet and 300 tons of duck.

U.S. Poultry Products Face Greater Competition in Hong Kong Market
(In percent)

Item	1982	1986	Major Competitors
	—U.S. Share—		
Chicken (Fresh, Chilled, Frozen)	61	61	Denmark, China, Brazil, France
Poultry Wings	92	77	Germany, Brazil, Netherlands, Australia
Frozen Ducks	5	15	China, France
Poultry Feet	21	13	Japan, Hungary, United Kingdom
Poultry Offals	8	16	China, United Kingdom

In recent years, U.S. products have faced greater competition from other suppliers, including China, the European Community and Brazil. U.S. market shares for wings, feet and offals fell significantly between 1982 and 1986 (See table.)

For frozen wings and drumsticks, U.S. products have a size advantage over the smaller products from China and other suppliers. However, price competitiveness also is a big factor.

For poultry feet, Hong Kong importers prefer Japanese products with the bones removed, as de-boned feet are used for dim sum in Chinese restaurants. Great potential exists for the expansion of U.S. poultry gizzards and frozen duck.

U.S. Industry Is Active in Hong Kong

The U.S. Poultry and Egg Export Council recently launched a US$750,000 advertising campaign in Hong Kong for 1987. The promotion, which is funded under the Targeted Export Assistance (TEA) Program, will feature both generic and branded advertisements for U.S. chicken, duck, turkey and eggs. ■

The author is an agricultural specialist in the U.S. agricultural office in Hong Kong.

Meat Promotion Activities in Hong Kong Target Chinese Consumers

By Lai Yee Yeung

Just glance at the menu in any Chinese restaurant and it is easy to see why the people of Hong Kong are among the world's biggest consumers of protein. Whether spicy or mild, hundreds of Chinese dishes call for pork, beef, mutton or other meats as the main ingredient.

While this may sound like a meat producer's dream, U.S. meat exporters have faced a number of obstacles in the Hong Kong market—namely lower prices from competitors, lack of consumer awareness of the quality of U.S. meats and Hong Kong's preference for fresh rather than frozen foods. Between 1981 and 1985, for example, U.S. exports of beef to Hong Kong fell from 962 tons to 647 tons.

The U.S. meat industry has met the challenge of boosting U.S. meat exports to Hong Kong through a $500,000 promotional program. The funds have been made available to the U.S. Meat Export Federation under the Targeted Export Assistance program.

Although Japanese and western-style restaurants and hotels have been the traditional buyers of U.S. meats, the promotional efforts also will aim to place more U.S. meats on the tables in Chinese restaurants and homes.

Pork Ranks as Favorite

Pork is the most popular meat in Hong Kong. Although an average 150 metric tons of imported frozen and chilled pork are consumed each day, nearly half of the pork served in homes is freshly slaughtered—a reflection of the Chinese penchant for fresh meat. About 10,000 hogs are slaughtered daily.

More than 95 percent of live hogs come from China. Locally raised hogs, however, command a higher price since the pork from domestic animals generally is considered to be of higher quality.

Live hogs are marketed at different weights: weaners at 12 kilograms; roasters at 40 kilograms; and porkers at 99 kilograms.

Weaners usually account for 5 percent of the total supply, roasters for 25 percent and porkers for 70 percent. Their relative share of the market fluctuates with the price of feed.

Apart from ribs, pork is sold mainly as boneless meat. Consumers generally judge quality by the ratio of lean to fat rather than the part of the carcass from which the meat is cut.

Frozen Pork Gains in Acceptance

Although freshly slaughtered meat is favored, the price of frozen pork—which generally is 20 to 30 percent below the price of fresh pork—has helped boost its popularity, especially among the expanding catering trade.

In addition, changing lifestyles, including an increasing number of women in the work force, have cut down on the daily visits to wet markets to buy fresh meat. Today, many shoppers visit the market only once or twice a week and store the pork in the refrigerator.

Beef Trails in Popularity

Beef has been slower to catch on in the Chinese diet—partly for cultural reasons. For centuries, cattle were raised as draft animals rather than for beef and milk supplies in China.

U.S. Meat Export Federation Promotes Meats in Hong Kong

Introducing 6 million consumers to the variety and quality of U.S. meats is no easy task, but that's just what the U.S. Meat Export Federation is hoping to do with its meat promotion campaign in Hong Kong.

In addition to media advertising and restaurant and retail promotions, the Federation has developed recipes and other materials to encourage consumers to incorporate U.S. meats into their diets.

Recent promotional activities include:

— Sampling seminars for restaurant personnel featuring U.S. meat recipes developed by a chef.

— Promotional campaigns in 10 prominent restaurants featuring special Chinese dishes made of U.S. meats.

— A U.S. meat recipe contest advertised in six leading food magazines.

— Development of a Chinese cookbook that incorporates recipes for U.S. meats.

— A series of cooking demonstrations and educational messages on "Women Today," a Hong Kong television program.

Although the Chinese generally recognize that beef is of higher protein value than pork, beef is more expensive—another reason why consumers buy more pork.

High-quality U.S. beef is about 20 to 50 percent higher in price than Australian and New Zealand beef, depending on the grade.

Consumption of beef has been increasing rapidly in recent years, however, due in part to the growing popularity of hamburgers among young people. In addition, good quality steak is popular among the westernized upper middle class—as well as Hong Kong's tourists.

About 500 head of cattle are slaughtered each day in Hong Kong. China is the main supplier of live cattle, although a small number come from local farms.

In addition, about 75 metric tons of imported fresh and frozen beef are consumed daily. Frozen and chilled beef is imported mainly from China, Australia, the United States, New Zealand and Brazil.

Mutton Demand Is Seasonal

Demand for mutton is highly seasonal—a meat solely for winter. Lamb chops are served in western-style restaurants year-round but are less popular than pork and beef. No lamb or goats are raised for meat in Hong Kong. The Territory imports more than 2,500 tons of lamb and goat meat annually.

Meat Inspection Required

About 20 Hong Kong firms deal with the import and wholesale of live animals for meats from China and local farms.

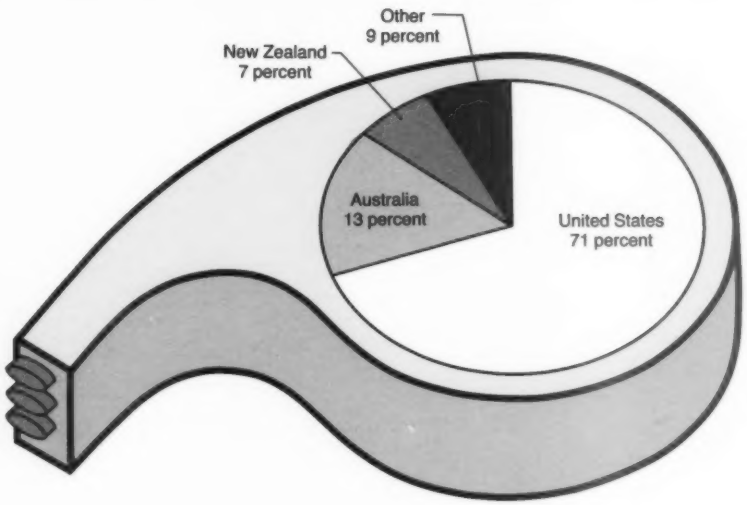
All animals are slaughtered either in the two government slaughterhouses or in licensed private slaughterhouses. Meats must be checked by government health inspectors before they are marketed. Most freshly slaughtered meats are sold through the wet markets.

Frozen meats are classified as reserved commodities which can be imported only by registered importers. About 16 firms import frozen meats from China. In addition, some 80 importers obtain frozen meats from other sources.

All imported frozen meat products must be accompanied by an official health certificate from the country of origin and are subject to inspection by government health inspectors upon arrival in Hong Kong.

Importers of frozen meat must apply for an import license for every consignment of frozen meats.

U.S. Led List of Hong Kong's Bone-In Beef Imports in 1986



Total bone-in imports 1986 = 1,020 tons

Market Opportunities for U.S. Meats

The United States was Hong Kong's No. 1 supplier of fresh and frozen bone-in beef in 1986. However, Australia led in sales of ground beef, and China, Brazil, Australia and New Zealand outdistanced the United States in sales of boneless beef to Hong Kong.

Among U.S. meats, beef is considered to have the best chance for expansion in the Hong Kong market—particularly if it could be offered at lower prices. Market analysts say the export potential for U.S. beef in the medium-price range would be considerable.

One example is U.S. short ribs which are being used increasingly by Chinese restaurants. Partly as a result of the growing demand for short ribs, U.S. exports of beef to Hong Kong rose to 1,068 tons in 1986, a 65-percent increase over 1985.

In addition, the expanding tourist trade and increasing consumer buying power—particularly among Hong Kong's under-30 age group—offer good potential for quality U.S. beef in hotels and top restaurants.

Another sector which may draw the attention of U.S. meat packers is the growing market for U.S. variety meats. U.S. exports of variety meats to Hong Kong tripled between 1982 and 1986, reaching 1,279 tons last year. ■

The author is an agricultural specialist in the U.S. agricultural office in Hong Kong.

Hong Kong Has Good Potential For Sales of U.S. Wine

By Lai Yee Yeung

There is significant potential for the development of the table wine market in Hong Kong, which is expected to continue as consumers become more affluent and adapt increasingly to a western lifestyle.

Hong Kong already has a wine-drinking tradition. Wine is a centuries-old beverage of the Chinese, who serve it for entertaining and in ethnic and religious rituals. Hong Kong Chinese traditionally have consumed rice wines and medicated herbal wines imported principally from China and other Asian countries.

Growing Appreciation of Western Wines

However, under British, European and, to some extent, U.S. influence, there has been a growing appreciation and consumption of western grape wines.

In addition to the long-standing demand for table wines among the expatriate population and tourists, increasing wine consumption by the local Chinese population is expected. The gradual westernization of the middle class portends an increasing adoption of western lifestyles, including wine drinking.

This trend has been accelerated by the increasing number of younger Hong Kong residents who have been educated in the United States, Australia, Canada and Britain. They have returned to Hong Kong with an acquired taste for western table wines.

The past few years also have witnessed a general increase in the number of women drinking alcoholic beverages; table wines are more appealing to them than the traditional brandy.

Wine Sales Are Growing

Total imports of wine into Hong Kong increased from 3.1 million liters in 1983 to 3.5 million in 1985, despite a substantial duty increase in 1983 and the addition of a 20-percent ad valorem tax in 1984.

Despite Substantial Duties, Hong Kong Holds Potential for Wine Sales

Wines and Spirits	Duties (HK$ per liter)
Brandy	67.00
Liquors, whiskey, gin, rum, vodka and other spirituous liquors	48.00
Champagne and other sparkling wines	30.00
Still wines above 15 percent alcohol by volume	20.00
Still wines not more than 15 percent alcohol by volume	17.00
Intoxicating liquors in the part above the strength of 45 percent alcohol by volume, for every 1 percent above such strength in addition to the duties specified above	1.20

[1]Hong Kong also has a 20-percent ad valorem duty (based on the value of the liquor) on the above products.

Still wines made up about 85 percent of Hong Kong's 1986 wine import total, with the balance going for sparkling and fortified wines.

In 1986, the United States accounted for 5.7 percent of total wine imports into Hong Kong by volume and 3.9 percent by value. For still wines, the U.S. market share is 6 percent. France still remains dominant in the market with 54.9 percent and Australia ranks second with 14.8 percent. The value of U.S. wine exports to Hong Kong in 1986 was US$663,000 (f.a.s.).

U.S. wines must contend with a long-standing preference for European wines in Hong Kong, a preference based largely on consumption habits and unfamiliarity with the high quality of U.S. wines. However, Hong Kong's imports of U.S. champagne rose from 5,000 liters in 1985 to nearly 12,000 in 1986, a 130-percent increase, due to a surge in the price of French wines.

Although U.S. wines are currently price competitive with French and German wines in Hong Kong, the rise in the strength of the U.S. dollar in the early 1980s forced many U.S. wines off the shelf.

Promotional and advertising efforts are necessary to build a stylish image of U.S. wines and to reap the benefits of this fast-growing wine market.

Duties Are Substantial

Wines are among the few commodities that are dutiable in Hong Kong, with both specific and ad valorem duties in effect. (See table.)

Only licensed persons are allowed to import, export, manufacture, store, sell, supply and possess alcoholic beverages at licensed premises under a government ordinance on dutiable commodities. Therefore, all breweries, distilleries, dealers and retailers of wine must apply for a license from the Commissioner of Customs and Excise.

A removal permit is required and appropriate duties must be paid before imported wines and liquors can be removed from vessels and aircraft. ■

The author is an agricultural specialist in the U.S. agricultural office in Hong Kong.

Hong Kong Retailing Sector Is Growing and Looking West

By Lai Yee Yeung

Rapidly shifting lifestyles have changed Hong Kong's food retailing market tremendously over the past decade. New businesses such as supermarkets and fast-food outlets have multiplied in numbers so fast that they are now part of the common street scene in Hong Kong. These businesses were either non-existent or far from common in the early 1970s.

Gradually, they have taken over the street corner groceries, food stores and small teahouses and restaurants. People 30 years old and under (which make up more than half of the Territory's population) show a definite proclivity to these new establishments.

Westernization Is Expected To Grow

In the next decade, the process of westernization is expected to continue at a remarkable pace, bringing about interesting developments in Hong Kong's food trade, including what types of food are imported.

The expansion of the supermarket and hotel trade has offered greater opportunities for U.S. food products. U.S. exports of foodstuffs to Hong Kong in 1986 amounted to $336 million—up 12 percent over 1985. The food retailing and catering business continues to be the major force in the distribution of imported food products into the Territory.

The first supermarkets were set up more than 20 years ago, mainly aiming at the small foreign community. The majority of Chinese consumers usually shopped daily for food items either in the wet markets or grocery stores.

In the early 1970s, there were fewer than 50 supermarket outlets. By 1975, the number increased to 100, then to over 200 in 1980 and to more than 600 by the end of 1984.

The two largest supermarket chains—Park'n Shop and Wellcome—now have 116 and 123 outlets, respectively, while 7-Eleven, which entered the market in 1981, had 190 outlets at the end of 1986.

Supermarkets Make up Half of Sales

Although these numbers are not impressive compared with the total of more than 16,000 food retailing outlets in Hong Kong, it is estimated that more than half of the total retail volume of daily food items are marketed through supermarkets. The total monthly bill for all outlets amounts to more than US$125 million.

The present day supermarket offers a wide range of consumer food items—frozen meats and poultry, dairy products, soft drinks, wines, candies, nuts, cakes and fresh produce, as well as traditional Chinese grocery items such as soy sauce, dried mushrooms, rice and fresh Chinese vegetables.

Supermarkets have expanded with the increasing number of giant housing estates built both by the government and private developers. These estates form large residential centers that call for the supply of large amounts of meats, vegetables, canned foods and other processed food items as well as household goods. The growth in supermarkets also has been spurred by the increasing number of working women.

As retail volume expands, the supermarkets are able to purchase supplies at more favorable prices than the small groceries. In fact, the largest supermarket chains have as their parent companies the Territory's oldest and largest importers of food items. Pricing in the two largest chains is highly competitive.

Hong Kong Has Wealth of Hotels, Restaurants

The number of restaurants and eating places in Hong Kong is among the highest in the world. (See chart.) About 40 percent of Hong Kong's 6 million people work. Most of them have a full-time job and usually eat their lunch outside their homes.

Visitors to Hong Kong often are surprised to learn that a lunch box provided by a fast- food shop costs less than US$1—and equally surprised that dinners at some restaurants cost more than US$120 per head.

Eating Out Is Popular

The Hong Kong Chinese do not host dinners in their small homes. Dining out is logical for all occasions—a birthday celebration, an old friend's reunion, a treat after winning at the horse races or a family outing.

Hong Kong Chinese also love hosting banquets at restaurants (mostly Chinese restaurants) for wedding parties, birthday parties for the senior members of the family and to celebrate the birth of a baby.

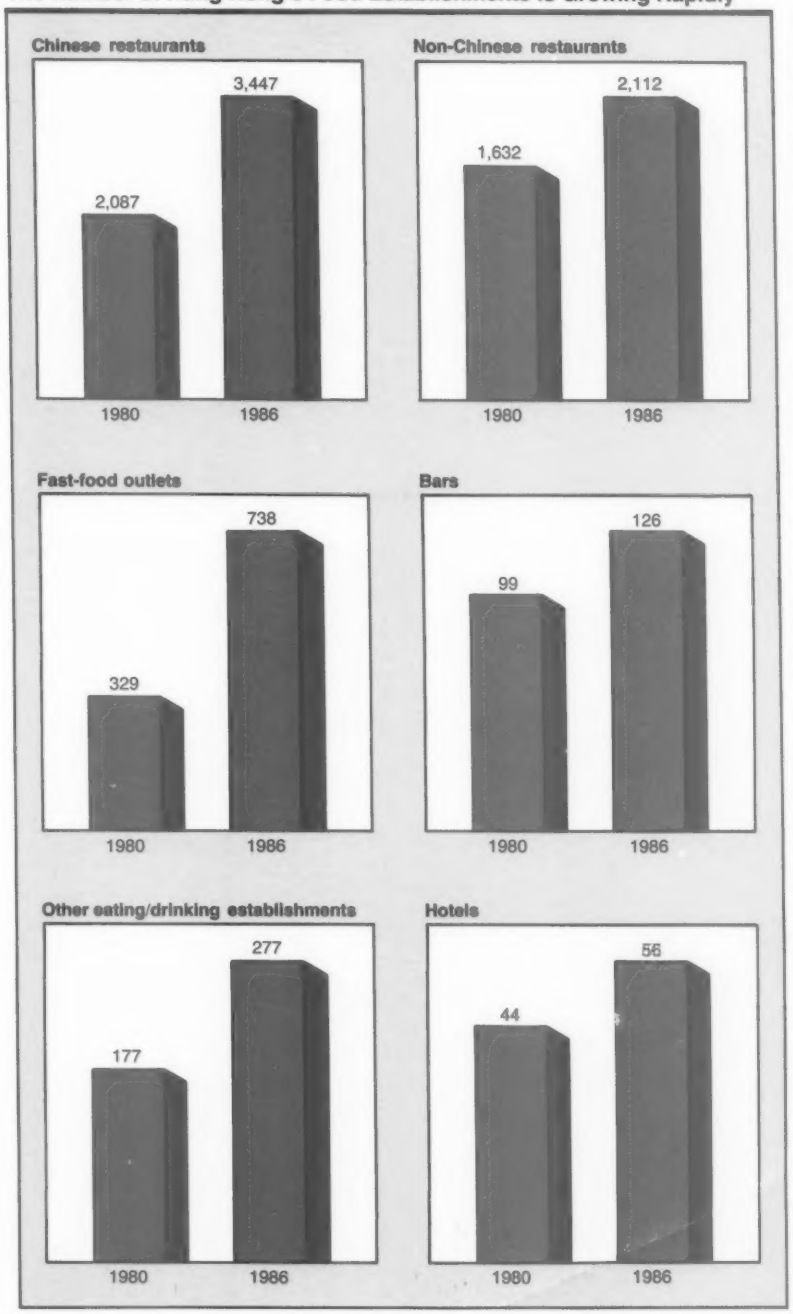
Most Chinese restaurants rely heavily on the banquet business for profits. But changes in this area already are underway. Wedding banquets which were a must 10 years ago are now sometimes replaced by smaller receptions.

Fast-Food Outlets Are Prosperous Sector

The most prosperous sector in the trade is fast-food shops. The first fast-food venture—the Cafe de Carol—was set up in 1972. McDonald's arrived in 1975, and in more recent years have come the Pizza Hut, Spaghetti House and Kentucky Fried Chicken chains. A French bakery-cafe chain has announced plans to set up fast-food stores this year to capture a share of the Hong Kong market.

Local fast-food shops also multiplied. Some offer the Chinese version of fast foods. While it has been an old tradition to treat children in Cantonese teahouses, today's children opt for hot dogs,

The Number of Hong Kong's Food Establishments Is Growing Rapidly



hamburgers and pizzas. As a result, it is no surprise that the bulk of frozen meats and poultry are consumed through restaurants and fast-food outlets.

Tourist Trade Creates Another Need

Another important development in Hong Kong's food business is the expanding business of hotel grills and buffets. This is largely the result of the expanding tourist business. This also accounts for the increased consumption of the more expensive import items such as beef, salmon, gourmet fruits and wines.

The expanding business of the hotel grill room shows the greatest potential for U.S. beef and seafood, which can be disadvantaged by price and transportation costs compared to supplies from Australia and Europe.

Hong Kong-China Ventures Bring New Opportunities

Some of Hong Kong's large supermarket chains also are operating in the People's Republic of China. The Dairy Farm Group (which operates the Wellcome supermarket chain) has entered into two joint ventures with China.

The first one is the Beijing Air Catering Ltd., which operates flight kitchens in Beijing and Shanghai and a restaurant in Beijing. The second one is a joint venture with China Nanhai Oil Joint Service Corporation to supply catering services to rigs exploring the new oil leases in the South China Sea.

In addition, Park'n Shop opened a supermarket in Shekou, which is located in the Shenzhen Special Economic Zone, in late 1984.

Hong Kong hotels also have been invited to venture into China's hotel business. Several of China's first class hotels are jointly owned or run by Hong Kong hotel groups. More joint ventures in supermarkets, hotels and catering services are expected to take place in the next few years, creating more opportunities for food sales. ■

The author is an agricultural specialist in the U.S. agricultural office in Hong Kong.

Hong Kong's Booming Fur Industry Provides Market for U.S. Mink Skins

By Lai Yee Yeung

Over the past 15 years, Hong Kong has experienced a spectacular expansion in the fur garment manufacturing industry. As a result, the tiny island has become the world's top exporter of fur garments. In 1986, exports were valued at $253 million.

Since Hong Kong must import all of the furskins required by the industry, it has become an excellent market for U.S. mink skins, both raw and dressed.

Raw mink skins are cleaned and skinned furs that are not ready to be made into a finished garment as dressed skins are. A chemical process is applied to raw skins that preserves them and softens the leather, thus creating a dressed skin. If a raw skin is not further processed into a dressed skin, it will eventually spoil and the fur will fall out.

Hong Kong imported $243 million worth of mink furskins during calendar year 1986. About 6.4 percent of that total was imported from the United States.

Many Suppliers Vie for Hong Kong Market

Denmark is Hong Kong's largest supplier of raw mink skins followed by the United Kingdom, the United States and China. Hong Kong's largest supplier of dressed mink skins is the United Kingdom followed by Macao, the Federal Republic of Germany, the United States and China.

Last year, U.S. raw mink skins accounted for about 4.8 percent in value of Hong Kong's total raw mink skin imports. Dressed mink skins had an even greater share at 8.1 percent.

Imports of dressed and raw furskins have fluctuated in the past due to price uncertainties, as well as overstocking, which restrained buyers from placing orders. Economic slowdowns in re-export markets—a significant portion of Hong Kong's furskin industry—have reduced import orders even further.

Fur Industry Has Mushroomed

The fur garment industry in Hong Kong has changed significantly since its inception in the early 1930s. At that time, the market was limited to local patronage and a small number of tourists. A steadily growing number of wealthy local consumers and a rising influx of tourists encouraged expansion of the industry in the 1960s.

Today, Hong Kong's fur garment industry is a $260-million business shared by roughly 120 manufacturers and dealers. The sizes of the firms vary, but small establishments still dominate the industry. In the past, the fur garment manufacturing industry depended heavily on imported dressed skins. However, the sector's rapid growth has led to expansion into dressing and dyeing businesses as well.

Many dressing plants are affiliates of large fur garment manufacturing factories. These plants also serve small fur garment manufacturers in the dressing and dyeing of furskins.

Subcontracting Plays Important Role

Today, a large number of small fur garment manufacturers are both family-owned and subcontracted businesses.

The industry uses a wide range of furskins, from rabbit and raccoon to fox and mink. Most high-value items such as mink coats are made by subcontractors, in contrast to lower priced goods made in factories. The subcontracting system ensures greater flexibility and higher quality of production.

Export Market Is Important Outlet

More than 95 percent of all fur garments manufactured in Hong Kong are exported. Japan traditionally has been the largest export market followed by the United States, West Germany and the United Kingdom.

The next largest market for Hong Kong's fur clothing is the tourist sector. The domestic market is the least significant since fur garments are not popular in Hong Kong's subtropical climate.

Furskin Needs Are Growing

The growing fur garment export business, the rising tourist industry and the steadily increasing desire for fur by a larger portion of the world's population, point toward expansion of Hong Kong's fur market.

Good opportunities exist for U.S. mink skins since Hong Kong importers and manufacturers consider U.S. skins to be of high quality. In addition, promotional activities by prominent U.S. suppliers of furskins—ranging from product development to fashion shows—help ensure that U.S. mink skins are recognized for their quality. ■

The author is an agricultural specialist in the U.S. agricultural office in Hong Kong.

U.S. Exporters Have To Build A Wood Market in Hong Kong

By Lai Yee Yeung

Visitors to Hong Kong often are amazed by the amount of construction going on. Last year, 2.5 million square meters of new apartment and office space were occupied, and over 100 public buildings completed. Between 1986 and 1989, 30 new hotel projects are expected to increase Hong Kong's hotel capacity by 15,000 rooms.

Since Hong Kong does not grow trees for timber, it must import all logs and wood products used in construction and furniture-making industries, presenting some opportunities for U.S. exporters.

Growing Market for U.S. Products

Although nearby countries in Southeast Asia are the dominant suppliers of logs, lumber and panel products, Hong Kong also imports a significant amount of these products from the United States.

In 1986, Hong Kong imported US$3.2 million worth of logs and wood manufactures from the United States. This represents an increase of 146 percent over the 1985 level.

Panel products are currently the fastest growing sector of the Hong Kong market. Hong Kong's imports of veneer sheets, plywood and reconstitituted wood from the United States have tripled over the past three years, with veneer accounting for over half of these imports from the United States.

Hong Kong's imports of U.S. products in the "simply worked" category (both softwood and hardwood), for example, have increased by 72 percent since 1984.

Despite a 73-percent drop in U.S. exports from 25.4 million board feet in 1985 to only 6.8 million in 1986, Hong Kong was still the sixth largest market for U.S. softwood logs. Other suppliers are China, Taiwan and South Africa. Roughly one-third of Hong Kong's imports of softwood logs are re-exported.

Macau, Taiwan, Korea and China are the major re-export markets for all wood and wood products from Hong Kong.

Meeting the Market Demands

Veteran traders point out that one major disadvantge of U.S. products in this market is the longer lead time required to ship products from the United States, compared with importing from neighboring Asian countries.

To overcome this obstacle, many traders believe that U.S. exporters should work closely with importers in Hong Kong to keep a continuous stock on hand locally to cater to the demand of local builders.

U.S. exporters also face competition from lower priced woods from sources closer at hand. However, rising prices for Malaysian and Indonesian products already have caused some importers to investigate alternative sources.

Educating the Buyer Is the Key

Another important constraint to U.S. wood product exports to this market is the unfamiliarity of Hong Kong importers and end-users with U.S. species and products.

Efforts to educate local buyers and decisionmakers on the diversity, characteristics and availability of U.S. woods and wood products are essential to building the market for U.S. wood products and to establish a high-quality image for U.S. wood products. ■

The author is an agricultural specialist in the U.S. agricultural office in Hong Kong.

Hong Kong

New Labeling Laws Coming For Prepackaged Foods

In Hong Kong, new government regulations on labeling of prepackaged foods will go into effect in August 1987. The regulations, which were first published in 1985 with a two-year grace period, establish new requirements for the marking or labeling of prepackaged foods with respect to name, ingredients, shelf life, conditions of storage and use, weight and volume. Under the law, prepackaged foods are defined as those foods for which the contents cannot be altered without opening or changing the packaging and for which the food is ready for presentation to the ultimate consumer or catering establishment as a single food item.

For U.S. products, one major concern will be the requirement that the words "best before," and "consume by," be written in both Chinese and English. The date must be expressed in terms of day, month and year. U.S. exporters of food products to Hong Kong also should be aware that retailers may be requesting labeling packages before August to allow for delivery and warehouse time. For more information, contact: Agricultural Office, American Consulate General - Hong Kong, Box 30 FPO San Francisco 96659. Telex: 63141 USDOC HX. Tel. 5-8412350.—*Michael Humphrey, Agricultural Officer, Hong Kong.*

Indonesia

Hopes for Higher Milk Output Pinned on Imported Cattle

Only 35 percent of Indonesia's milk consumption currently is provided by Indonesian dairy farmers, according to government sources there. In a move to increase output, significant imports of dairy cattle are now under way for the first time since 1983.

A joint U.S.-Indonesian venture company recently took delivery of 1,046 U.S. Holstein-Friesian dairy cattle. This was the first shipment of a total 7,500 dairy cattle which will be supplied to the firm. Over the next two years, the company hopes to import 20,000 U.S. Holsteins. All but about 2,000 of the cattle will be distributed to smallholders under the nucleus estate and smallholder scheme. Milk from these cattle will be used to supply Indonesia's first milk powdering plant which is located in Central Java. Up to now the plant has only been operating at about one-third of its capacity. *Robert M. McConnell, Agricultural Counselor, Jakarta.*

Italy

U.S. High-Value Exports Show Strong Growth

Prospects for U.S. agricultural exports to Italy appear bright in 1987, particularly for processed and high-value products. Products that embody new technological advances and offer advantages to farmers or food manufacturers—such as bull semen, seeds, essential oils and flavorings—are much in demand. In addition, there likely will be expanded opportunities for specialty items (hides and skins, furs, prunes, walnuts, asparagus, grapefruit, grapefruit juice, popcorn, peanuts and beer) which did well in the Italian marketplace last year and will have a competitive edge from the devaluation of the dollar.

Other dramatic increases were scored last year by U.S. corn gluten feed (which tripled in quantity and quadrupled in value), citrus pellets (which rose to $1.5 million), and animal feeds (which quadrupled in quantity and doubled in value). U.S. exports of soybeans increased by 10 percent while cake and meal doubled in value terms. Hides and skins rose 57 percent in value. Bull semen and field seeds also showed strength in the Italian market. These products are not covered by the European Community's (EC) variable levy and benefited from the weakening of the U.S. dollar versus the lira.

U.S. exports of traditional bulk commodities (wheat, corn and rice), however, are not expected to get much of a boost from the lower value of the dollar, due to variable levies which maintain internal EC prices. Future sales will depend greatly upon the U.S. ability to exploit quality advantages over its competitors. Trade contacts continue to indicate that quality, rather than price, is the determining factor in making purchases, especially for wheat for pasta.

The grain supplements, such as corn gluten feed and animal feeds, also are in direct competition with EC products already in surplus. While these products have a market advantage under current conditions, the EC is trying to change the market conditions to flavor substitution of domestic products. Therefore, while these exports will continue strong in the short term, the long-term prospects for U.S. sales will depend on EC trade policies.—*Mattie Sharpless, Agricultural Counselor, Rome.*

Kenya

Rapid Population Growth Suggests Large Food Imports

Kenya's population growth rate, currently 4 percent a year, is one of the highest in the world. Annual rates of growth required for self-sufficiency in major food crops would have to exceed 4 percent annually to keep up with the population and would have to be substantially higher to meet export and other demands. Although high rates of growth have been achieved from time to time for individual agricultural products, it is unlikely that they could be sustained for long without significant changes in government policies and supporting services. The approach to achieving these objectives would require private investment in agriculture and improving efficiency of production, marketing and distribution. Also needed are a well-defined land policy and improved national storage capacity, including the maintenance of a national strategic grain reserve.

Over the next two decades, a critical problem for Kenyan agriculture will be the maintenance of self-sufficiency in major food and export crops. Rapid population growth, dwindling land availability, droughts and variable growth rates for food commodities have necessitated larger imports of grains and other agricultural commodities. Projections of domestic food needs through 1989 indicate that for several key commodities (corn, wheat, rice, beans, potatoes, beef and milk) considerably higher growth rates than those achieved in past years will be needed to reach self-sufficiency.—*Harold L. Norton, Agricultural Attache, Nairobi.*

Soviet Union

Bread Prices Raised In Move To Reduce Waste

The Soviet government has authorized a substantial increase in the price of certain varieties of bread in an attempt to reduce state subsidies and waste. The retail price of Soviet bread (unchanged since 1955) had ranged from about 24 cents to 67 cents per kilogram. However, because of the low price and a rapid spoilage rate, an estimated 20 to 25 percent of the 35 million tons of bread produced each year has been fed to animals or else spoiled.

Last December, some of the least popular bread varieties were eliminated, and new varieties were introduced priced higher than the previously most expensive types. The roughly 200 million rubles which will be earned as a result of the higher prices are to be spent on higher quality flour and other ingredients to prevent rapid spoilage. Additional sums are to be spent updating Soviet milling and baking industry technology. Plans call for doubling the quantity of the highest grade flour from 7.4 million metric tons in 1985 to 15-16 million tons in 1990. This goal implies growth six or seven times larger than achieved over the past five years. Recent food industry plans have not been fulfilled, however, and Soviet consumer price increases are often actually not accompanied by the announced commensurate increases in quality.

Given the large amount of bread that in the past has been thrown away or fed to animals, these new policies could eventually reduce the demand for wheat.—*Christian J. Foster, Economic Research Service. Tel. (202) 786-1710.*

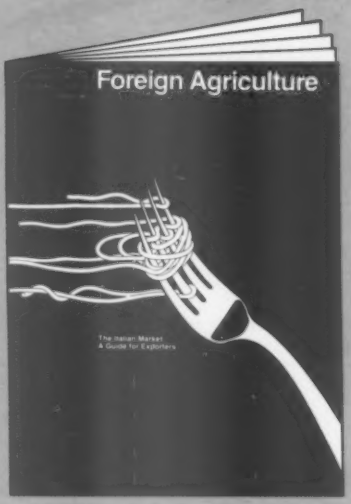
Switzerland

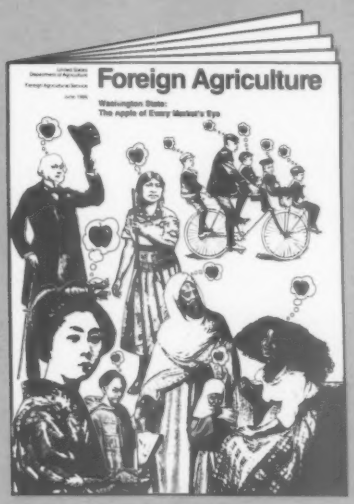
Potential Good for U.S. Red Wine in Barrels

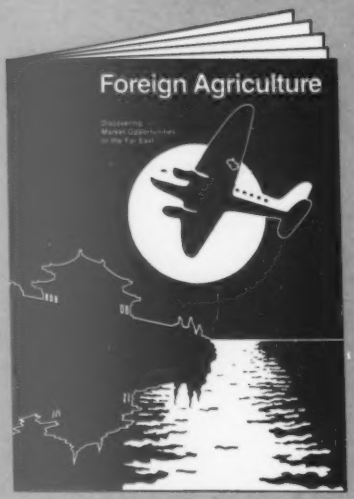
U.S. exports of red wine to Switzerland, although relatively small at present, appear to offer good potential for future growth. While Switzerland is 84 percent self-sufficient in white wine production, it produces only 22 percent of the red wines it consumes. Total wine consumption amounted to 47 liters per person in marketing year 1985/86 (July-June).

The prospects for U.S. exports are particularly promising for red wine in barrels due to lower transportation costs per unit compared to imports in bottles. This is an important fact because the United States faces stiff competition from France, which can ship wine very cheaply to Switzerland because of its proximity.

The devaluation of the U.S. dollar as well as the globalization of Switzerland's annual adjustment quota for red wine in barrels are other factors suggesting continued growth in Swiss imports of U.S. wines in the near future. However, U.S. wine exporters will need to step up the pace of their marketing activities to realize their full potential in the Swiss marketplace. Competition is extremely keen from French, Italian and Spanish suppliers. Also, Swiss consumers and wine importers still are not well informed about the quality, variety and availability of U.S. wines.—*Anthony N. Cruit, Agricultural Counselor, Bern.*







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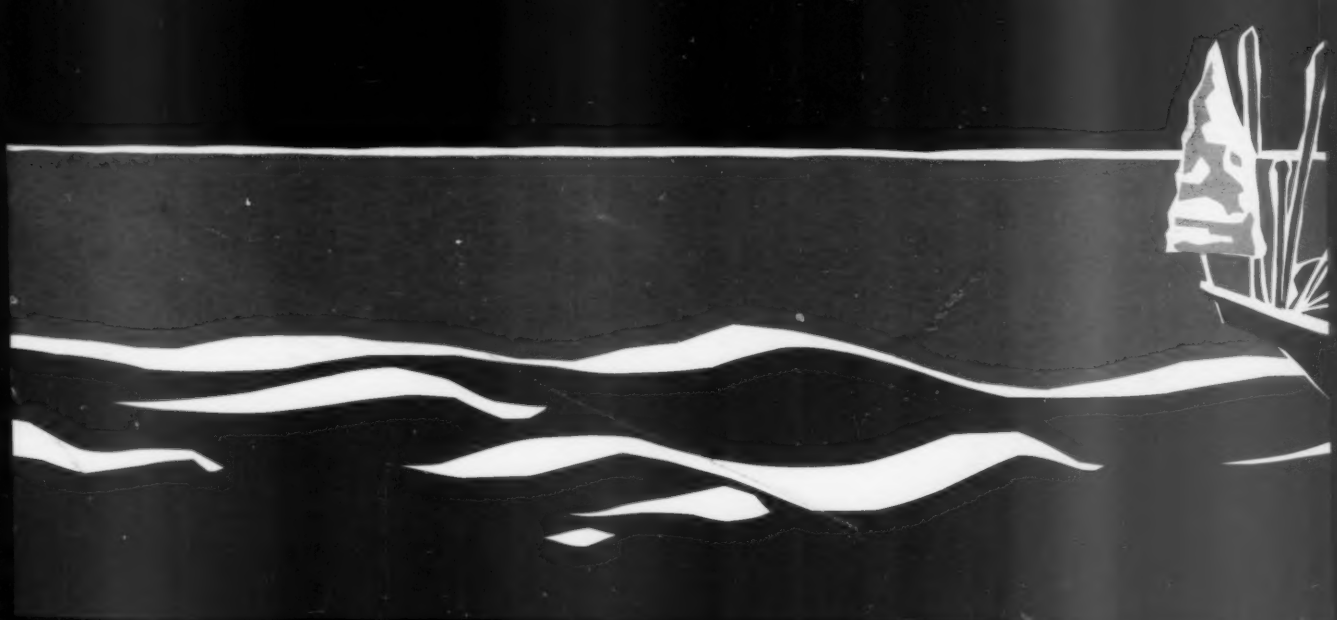
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